

Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended .

Unit Name	New Haven Township	County	GRATIOT	Type	TOWNSHIP	MuniCode	29-1-090
Opinion Date-Use Calendar	Jun 23, 2008	Audit Submitted-Use Calendar	Jul 23, 2008	Fiscal Year-Use Drop List	2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

☒

1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?

☒

2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?

☐

3. Were the local unit's actual expenditures within the amounts authorized in the budget?

☒

4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?

☒

5. Did the local unit adopt a budget for all required funds?

☒

6. Was a public hearing on the budget held in accordance with State statute?

☒

7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?

☒

8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?

☒

9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?

☒

10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)

☒

11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)

☒

12. Is the local unit free of repeated reported deficiencies from previous years?

☒

13. Is the audit opinion unqualified?

14. If not, what type of opinion is it?

NA

☒

15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?

☒

16. Has the board or council approved all disbursements prior to payment as required by charter or statute?

☒

17. To your knowledge, were the bank reconciliations that were reviewed performed timely?

☒

18. Are there reported deficiencies?

☒

19. If so, was it attached to the audit report?

General Fund Revenue:

\$ 163,025.00

General Fund Expenditure:

\$ 188,922.00

Major Fund Deficit Amount:

\$ 0.00

General Fund Balance:

\$ 143,329.00

Governmental Activities Long-Term Debt (see instructions):

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Chad	Last Name	Payton	Ten Digit License Number			1101021946		
CPA Street Address	308 Gratiot Avenue	City	Alma	State	MI	Zip Code	48801	Telephone	+1 (989) 463-6123
CPA Firm Name	Roslund, Prestage & Company	Unit's Street Address	3027 S. Warner Road	City	Sumner	LU Zip	48889		

**Financial Statements**

**New Haven Township**  
**Gratiot County, Michigan**

**March 31, 2008**



New Haven Township  
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March 31, 2008

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## **INDEPENDENT AUDITOR'S REPORT**

New Haven Township  
Gratiot County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Haven Township (the Township), as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 23, 2008, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Roslund, Prestage & Co, PC*

Roslund, Prestage & Company, P.C.  
Certified Public Accountants

June 23, 2008

## **MANAGEMENT'S DISCUSSION and ANALYSIS**



New Haven Township  
Management's Discussion and Analysis  
For the Fiscal Year Ended March 31, 2008

We, the Board of New Haven Township, offer citizens of the Township our financial statements with the narrative overview and analysis of the financial activities of New Haven Township for the fiscal year ended March 31, 2008.

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of New Haven Township as a whole, and present a longer-term view of the Township's finances.

Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

### **Financial Highlights**

The unrestricted net assets of New Haven Township exceeded its liabilities at the close of the current fiscal year by \$120,215, which may be used to meet the Township's ongoing obligations to citizens and creditors.

Additionally, the Township's governmental funds reported an ending fund balance of \$143,329, a decrease of \$35,334 from the 2006 fiscal year fund balance.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide financial statements** - The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, and community and economic development.

**Fund financial statements** - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** - *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers will better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.



**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government (i.e. tax collection fund). Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs.

**Notes to the financial statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information** - In addition to the basic financial statements and the accompanying notes, this report also presents certain *required supplementary information* as required by GASB statement 34 regarding the Township's budgetary comparison of the general fund. This supplementary information is contained behind its own tab following the notes to financial statements.

### **Township Highlights**

The Township has continued to use the Department of Corrections to maintain our cemetery. This agreement significantly decreases the funds spent on cemetery maintenance. Unfortunately, it does not appear this arrangement will be available in the future.

The possibility of TradeWind Energy developing a 150MW wind power project in North Shade and New Haven Townships is exciting. This project is expected to cost \$300-400 million, resulting in annual landowner payments of \$1.2 million and add over one million in local taxes to support Gratiot County schools and governments. They have had several meetings in the area over the last several months.

After much discussion, we were able to purchase the church and property which is located directly in front of our cemetery. This property will eventually be used for cemetery lots. The well has been put to use as an additional water line for the cemetery.

A fire/rescue millage rate was passed. This will finance a large portion of our fire contracts. It will also free up some funds to use in different areas such as road maintenance.

### **Requests for Information**

This financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, contact a New Haven Township board member.

# **BASIC FINANCIAL STATEMENTS - GOVERNMENT-WIDE FINANCIAL STATEMENTS**



New Haven Township  
Statement of Net Assets  
March 31, 2008

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$114,465
Due from fiduciary fund	11,372
Due from other governments	14,552
Prepaid expenses	<u>4,016</u>
Total current assets	144,405
Noncurrent assets	
Land	37,842
Capital assets - net of accumulated depreciation	<u>33,044</u>
Total noncurrent assets	<u>70,886</u>
Total assets	<u>215,291</u>
 <b>LIABILITIES</b>	
Current liabilities	
Accounts payable	<u>1,076</u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	70,886
Restricted for fire and rescue	23,114
Unrestricted	<u>120,215</u>
Total net assets	<u><u>\$214,215</u></u>

See Accompanying Notes To Financial Statements

New Haven Township  
Statement of Activities  
For the Year Ended March 31, 2008

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>PRIMARY GOVERNMENT</b>				
General government	\$75,267	\$4,355	-	(\$70,912)
Public safety	24,686	1,500	-	(23,186)
Public works	62,669	-	-	(62,669)
Community and economic development	494	550	-	56
Total governmental activities	<u>\$163,116</u>	<u>\$6,405</u>	<u>-</u>	<u>(156,711)</u>

**GENERAL REVENUES**

Property taxes	78,026
State-shared revenues	69,658
Unrestricted investment earnings	1,131
Miscellaneous	<u>7,805</u>
Total general revenues	<u>156,620</u>
Change in net assets	(91)
Net assets - beginning of year	<u>214,306</u>
Net assets - end of year	<u>\$214,215</u>

See Accompanying Notes To Financial Statements

## **FUND FINANCIAL STATEMENTS**



New Haven Township  
Balance Sheet - Governmental Funds  
March 31, 2008

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$114,465
Due from fiduciary fund	11,372
Due from other governments	14,552
Prepaid expenses	<u>4,016</u>
 Total assets	 <u><u>\$144,405</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>	
Accounts payable	<u>\$1,076</u>
 Fund balances	
Reserved for fire and rescue	23,114
Unreserved, undesignated	<u>120,215</u>
 Total fund balances	 <u>143,329</u>
 Total liabilities and fund balances	 <u><u>\$144,405</u></u>

See Accompanying Notes To Financial Statements

New Haven Township  
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds  
to Net Assets of Governmental Activities on the Statement of Net Assets  
For the Year Ended March 31, 2008

Total fund balance - governmental funds	\$143,329
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add: capital assets	123,046
Deduct: accumulated depreciation	<u>(52,160)</u>
Net assets of governmental activities	<u><u>\$214,215</u></u>

See Accompanying Notes To Financial Statements

New Haven Township  
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended March 31, 2008

	<u>General Fund</u>
<b>REVENUES</b>	
Taxes and penalties - operating	\$44,065
Taxes and penalties - fire and rescue	33,961
Licenses and permits	550
State grants	69,658
Charges for services	5,855
Interest and rentals	1,131
Other revenues	<u>7,805</u>
Total revenues	<u>163,025</u>
 <b>EXPENDITURES</b>	
General government	72,318
Public safety	24,686
Public works	62,669
Community and economic development	494
Capital outlay	<u>28,755</u>
Total expenditures	<u>188,922</u>
 Excess of revenues over (under) expenditures	 (25,897)
 Fund Balance, beginning of year	 <u>169,226</u>
Fund Balance, end of year	<u><u>\$143,329</u></u>

See Accompanying Notes To Financial Statements



New Haven Township  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund  
Balances of Governmental Funds to the Statement of Activities  
For the Year Ended March 31, 2008

Net change in fund balances - total governmental funds	(\$25,897)
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Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However,  
in the statement of activities, the cost of those assets is allocated over  
their estimated useful lives as depreciation expense.

Add: capital outlay	28,755
Deduct: depreciation expense	<u>(2,949)</u>

Change in net assets of governmental activities	<u><u>(\$91)</u></u>
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See Accompanying Notes To Financial Statements

New Haven Township  
Statement of Net Assets  
Fiduciary Funds  
March 31, 2008

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$11,372</u>
Total assets	<u><u>\$11,372</u></u>
 <b>LIABILITIES</b>	
Due to general fund	<u>\$11,372</u>
Total liabilities	<u><u>\$11,372</u></u>

See Accompanying Notes To Financial Statements

## **NOTES TO THE FINANCIAL STATEMENTS**



New Haven Township  
Notes to Financial Statements  
March 31, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of New Haven Township (the Township) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

**Reporting Entity**

The Township is governed by an elected five-member Board. The Township receives funding from local and state sources and must comply with all of the requirements of these funding source entities. However, the Township is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the Township's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Nos. 14 and 39.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to consumers who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

New Haven Township  
Notes to Financial Statements  
March 31, 2008

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, claims and judgments, are recorded only when payment is due.

Fiduciary Fund Financial Statements - Fiduciary funds account for assets held by the Township in a trustee or agency capacity on behalf of others and, therefore, are not available to support Township operations. The financial statements of the fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township's operations. The Township currently maintains an agency fund to account for the monies collected and paid to various governmental entities for property tax collections.

The Township reports the following major funds:

Governmental Funds - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

New Haven Township  
Notes to Financial Statements  
March 31, 2008

### **Budgetary Data**

Budgets are adopted by the Township for the general fund. The budget is adopted and prepared on the modified accrual basis of accounting. The budget is adopted at the function level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

The Township does not maintain a formalized encumbrance accounting system.

### **Property Taxes**

Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property located in the Township as of the preceding December 31<sup>st</sup>. These taxes are due on February 14<sup>th</sup> with the final collection date of February 28<sup>th</sup> before they are added to the county delinquent tax rolls.

For Township operations, the 2007 Taxable Valuation of the Township totaled \$34,022,015, on which .9524 mills were levied for operations, and 1.000 mills were levied for fire and rescue.

The total 2007 levy for the Township was \$32,344 for operations and 33,961 for fire and rescue.

### **Estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

### **Cash and Cash Equivalents**

The Township's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and certificates of deposit.

New Haven Township  
Notes to Financial Statements  
March 31, 2008

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township's deposits are in accordance with statutory authority.

### **Receivables**

Receivables have been recognized for all significant amounts due the Township as of March 31<sup>st</sup>. Valuation reserves have not been provided since their collection is not considered doubtful and any uncollected amounts would be immaterial.

### **Inventories**

Inventories, which are immaterial in amount, are not recognized as an asset in these financial statements. Inventories are recorded as expenditures at the time of purchase in the governmental fund types.

### **Capital Assets**

Capital assets, which include property, plant and equipment, of the governmental activities are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Township as individual assets with an initial cost equal to or more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized. No interest expense was incurred during the current year.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

New Haven Township  
Notes to Financial Statements  
March 31, 2008

Capital assets of the Township are depreciated using the straight line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Land	Not Applicable – Not Depreciated
Equipment	5 - 7
Buildings and Improvements	10 - 50

**Governmental Fund – Fund Balance Reserves and Designations**

The governmental fund financial statements present fund balance reserves for those portions of fund balance (1) not available for appropriation for expenditure or (2) legally segregated for a specific future use.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted at the function level and on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end. The budgeted revenues and expenditures, as presented in this report, include any authorized amendments to the original budget as adopted.

**Excess of Expenditures over Appropriations**

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2008, the Township incurred expenditures in excess of the amounts appropriated as shown in the back of this report.



New Haven Township  
Notes to Financial Statements  
March 31, 2008

**NOTE 3 - DETAILED NOTES**

**Cash and Cash Equivalents**

At March 31, 2008, the carrying amount of the Township's cash and cash equivalents was \$114,465 as follows:

Cash Deposits	\$104,465
Certificate of Deposit	10,000
Total	\$114,465

*Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be recovered. At March 31, 2008, the carrying amount of the Township's deposits was \$114,465 and the bank balance was \$120,984. Of the bank balance, the entire amount was covered by federal depository insurance.

*Investments*

State statutes authorize the Township to invest in obligations and certain repurchase agreements of the United States Treasury and related governmental agencies, commercial paper, banker's acceptances of the United States banks, obligations of the State of Michigan or any of its political subdivisions, and mutual funds composed entirely of the above investments. As of March 31, 2008, the Township had no such investments.

The Township's investment policy complies with the State statutes and has no additional investment policies that would limit its investment choices.

*Interest Rate Risk – Investments*

Under State statutes, investment in commercial paper is limited to maturities of not more than 270 days after the date of purchase. The Township's investment policy does not place any further limitations on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

New Haven Township  
Notes to Financial Statements  
March 31, 2008

Custodial Credit Risk – Investments

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Township will not be able to recover the value of its investments that are in the possession of an outside party. The Township requires all security transactions, including collateral for repurchase agreements, to be made on a cash basis or a delivery vs. payment basis. Securities may be held by a third party custodian and must be evidenced by safekeeping receipts. The Township does not have any additional policies for custodial credit risk over investments.

Credit Risk

State statutes limit investments in commercial paper to be rated at the time of purchase within the three highest classifications established by not less than two standard rating services. Investments in obligations of the State of Michigan or its political subdivisions must be rated as investment grade by not less than one rating service. Investments in bonds, obligations, or repurchase agreements must be made with the U.S. Treasury and banker's acceptances with United States banks. The Township's investment policy limits investments to be made with prudent judgment as to the safety of the invested capital and probable outcome of income.

Concentration of Credit Risk

The Township places no limit on the amount it may invest in any one issuer.

New Haven Township  
Notes to Financial Statements  
March 31, 2008

### Capital Assets

A summary of changes in capital assets follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>ASSETS</b>				
Land	\$34,842	\$3,000	-	\$37,842
Buildings and Improvements	50,182	21,459	-	71,641
Equipment	9,267	4,296	-	13,563
Sub-totals	94,291	28,755	-	123,046
<b>ACCUMULATED DEPRECIATION</b>				
Buildings and Improvements	(44,577)	(1,052)	-	(45,629)
Equipment	(4,634)	(1,897)	-	(6,531)
Sub-totals	(49,211)	(2,949)	-	(52,160)
<b>Totals</b>	<b>\$45,080</b>	<b>\$25,806</b>	<b>-</b>	<b>\$70,886</b>

Depreciation expense was charged to the general government function.

### Risk Management

The Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The Township has purchased commercial insurance from independent insurance providers. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years.

### Employees Retirement System – Defined Contribution Pension Plan

#### Plan Description

New Haven Township offers a deferred compensation plan which is administered by Waddell & Reed. The name of the plan is the New Haven Township 457 Plan. All members of the Township Board and all Township Employees are eligible to participate in the plan. As of March 31, 2008, the plan's current membership was 5 employees.

New Haven Township  
Notes to Financial Statements  
March 31, 2008

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined. The amounts participants receive depend solely on the amount contributed to the participant's account and the returns earned on those contributions.

Employer and employee contributions for each participant will be 10% and 5% of compensation, respectively. Benefits are 100% vested upon plan participation.

During the year, the Township's actual contributions to the plan amounted to \$2,700.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

#### **Building Inspection Department Fund**

Public Act 245 of 1999 was signed on December 28, 1999 and took immediate effect. This act amends the State Construction Code Act (Public Act 230 of 1972) and requires, among other things, the establishment of a special revenue fund to account for the revenues and expenditures associated with issuing building permits, examining plans and specifications, inspecting construction before issuing permits, and issuing certificates of use and occupancy.

The Township has not established this fund because the fee structure is not intended to recover the full cost and the Township has the ability to track the full cost and revenues of this activity without creating a separate fund.

The revenues generated under this act for the year ended March 31, 2008 were \$550. The expenditures incurred for this activity during the year ended March 31, 2008 were \$494.

## **REQUIRED SUPPLEMENTAL INFORMATION**



New Haven Township  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended March 31, 2008

	<u>Budgeted Amounts</u>			<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes and penalties - operating	\$40,000	\$41,100	\$44,065	\$2,965
Taxes and penalties - fire and rescue	-	24,100	33,961	9,861
Licenses and permits	1,000	1,500	550	(950)
State grants	70,000	71,750	69,658	(2,092)
Charges for services	8,000	8,500	5,855	(2,645)
Interest and rentals	1,200	1,350	1,131	(219)
Other revenues	500	500	7,805	7,305
	<u>120,700</u>	<u>148,800</u>	<u>163,025</u>	<u>14,225</u>
<b>EXPENDITURES</b>				
General government	129,250	128,564	72,318	56,246
Public safety	24,000	24,686	24,686	-
Public works	68,340	68,340	62,669	5,671
Community and economic development	1,500	1,500	494	1,006
Capital outlay	13,500	13,500	28,755	(15,255)
	<u>236,590</u>	<u>236,590</u>	<u>188,922</u>	<u>47,668</u>
Excess of revenues over (under) expenditures	(115,890)	(87,790)	(25,897)	61,893
Fund Balance, beginning of year	<u>169,226</u>	<u>169,226</u>	<u>169,226</u>	<u>-</u>
Fund Balance, end of year	<u><u>\$53,336</u></u>	<u><u>\$81,436</u></u>	<u><u>\$143,329</u></u>	<u><u>\$61,893</u></u>

See Accompanying Notes To Financial Statements



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Township Board  
New Haven Township  
Gratiot County, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of New Haven Township as of and for the year ended March 31, 2008, which collectively comprise New Haven Township's basic financial statements and have issued our report thereon dated June 23, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered New Haven Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described as 2008-1 and 2008-2 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above as 2008-1 and 2008-2 are not material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether New Haven Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to management in a separate letter dated June 23, 2008.

New Haven Township's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Township's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of management, Township Board, federal awarding agencies, pass-through entities and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Roslund, Prestage & Co, PC".

Roslund, Prestage & Company, P.C.  
Certified Public Accountants

June 23, 2008



New Haven Township  
Schedule of Findings and Responses

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**Finding 2008-1**

Finding considered a significant deficiency

Effective for the year ended March 31, 2008, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (Issued May 2006) requires us to communicate in writing when a client requires assistance to prepare the financial statements and related footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

The annual financial statements for the year ended March 31, 2008 required numerous audit adjustments, most of which the staff was aware needed to be recorded. The staff of the Township does understand all information included in the annual financial statements; however, we assist in preparing the financial statements and related footnotes.

We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

Client Response

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We expect this situation to be ongoing in future years.

**Finding 2008-2**

Finding considered a significant deficiency

The Township currently does not have a policy that requires someone other than the preparer (i.e. other members of the Township Board) review all completed bank reconciliations on a monthly basis.

Internal control is most effective when the bank reconciliations are prepared by someone not responsible for entries in the receipts and disbursements records. Inasmuch as this is difficult because of the small number of employees, we recommend that this review procedure be incorporated into the formal accounting policies and performed monthly. This review should include scanning the reconciling items for any unusual items and tracing the reconciled balance to the financial statements.

At the same time we also recommend that the reviewer open the bank statements and review them for any unusual transactions. The review of the bank statement will ensure that unusual items are investigated on a timely basis.

New Haven Township  
Schedule of Findings and Responses

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All reconciliations should be signed and dated by individuals preparing them as well as by the reviewers. As a prompt to the preparer and reviewer/approver to sign the reconciliation, preprinted reconciliation forms could include a signature block with space for the signatures, or a stamp with a signature block could be applied to the reconciliations.

Client Response

We are aware of this deficiency and we are in the process of establishing formal procedures and incorporating these procedures into our accounting policies as recommend.



## Management Letter

Members of the Board  
New Haven Township  
Gratiot County, Michigan

In planning and performing our audit of the financial statements of New Haven Township for the fiscal year ended March 31, 2008, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our audit report dated June 23, 2008, on the financial statements of New Haven Township.

We will review the status of these comments during our next audit engagement. We have discussed these comments and suggestions with management, and will be pleased to discuss them in further detail at your convenience.

Sincerely,

A handwritten signature in black ink that reads 'Roslund, Prestage &amp; Co, PC'. The signature is written in a cursive, flowing style.

Roslund, Prestage & Company, P.C.  
Certified Public Accountants

June 23, 2008

## **STATUS OF PRIOR YEAR COMMENTS AND RECOMMENDATIONS**

We were pleased to see that management has implemented several of the recommendations we included in our previously issued Management Letter. We commend you on your efforts to strengthen internal controls and operating efficiencies.

We have listed below the comments and related recommendations we included in our previously issued Management Letter in which the recommendations we suggested, or an appropriate alternative, have not been fully implemented as of the date of this report.

### **Capital Assets**

A schedule of additions should be maintained as capital assets are purchased to simplify the process of capitalizing property and equipment additions at year end. The schedule should include the date the asset is acquired, a description of the asset, the vendor name, and the amount. Invoices for asset acquisitions should be kept on file in a manner that allows retrieval of the original invoice for review and verification as needed by management and auditors.

## **CURRENT YEAR COMMENTS AND RECOMMENDATIONS**

### **Organizational Structure**

The size of the Township's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Township Board remain involved in the financial affairs of the Township to provide oversight and independent review functions. For example, during our audit we noted that the Treasurer deposits receipts, write checks from approved vouchers, and performs bank statement reconciliations. We recommend that another member of management open the bank statements and review them for any unusual checks or other transactions before giving them to the Treasurer to perform the reconciliation. Then, after the bank reconciliation is completed, we recommend that management review the reconciliations for any unusual items. Once these reviews are completed, the bank statements and reconciliations should be initialed by the reviewer as evidence that the review had taken place. Management's review of the bank statements and reconciliations will ensure that unusual items are investigated on a timely basis.

### **Segregate Preparation and Mailing of Checks**

Under existing procedures, signed disbursement checks are returned to the preparer (Treasurer) for mailing. Internal controls for the Township would be improved if the custody of checks after signature be handled by someone independent of the disbursing, receiving and recording functions. We recommend disbursement checks be left with the Clerk, or another member of management to mail once they are signed.

### **Adopt an Investment Policy**

We noted during our audit that an investment policy has not been formally adopted. According to Public Act 20 of 1943, New Haven Township is required to adopt an investment policy that outlines the purpose, scope and objectives of the policy, delegates authority to make investments, lists authorized investment instruments and provides a statement concerning safekeeping, custody and prudence. A sample investment policy has been mailed to the Township. We recommend that the Board review Public Act 20 of 1943 as well as the sample policy provided and adopt an investment policy for use by the Township.

### **Maximize Investment Income**

The Township has cash balances in excess of current operating requirements. We believe the Township should re-direct a portion of available cash into higher yielding certificates of deposit in order to increase investment income earned. Therefore, we recommend that the Township, 1) determine the maximum amount available to invest without interrupting immediate cash flow needs and 2) inquire with various financial institutions of rate of returns being offered on certificates of deposit.